

Associated Coca-Cola Bottling Co., Inc.



ANNUAL REPORT 1972



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FINANCIAL SUMMARY

	1972	1971
FOR THE YEAR		
Net Revenues	\$ 97,640,000	\$ 89,789,000
Net Income	\$ 5,253,000	\$ 4,728,000
Per Share	\$.87	\$.80
Average Shares of Stock Outstanding	6,020,234	5,918,850
Cash Flow from Operations	\$ 9,232,000	\$ 8,934,000
Cash Dividends Per Share	\$.2651	\$.25
AT YEAR-END		
Current Assets	\$ 19,899,000	\$ 19,334,000
Current Liabilities	\$ 8,391,000	\$ 9,146,000
Working Capital	\$ 11,508,000	\$ 10,188,000
Current Ratio	2.37	2.11
Total Assets	\$ 56,263,000	\$ 54,306,000
Long-Term Debt	\$ 4,115,000	\$ 5,541,000
Stockholders' Equity	\$ 41,837,000	\$ 37,787,000
Per Share	\$ 6.94	\$ 6.29
Number of Stockholders	3,743	3,470
Shares Issued and Outstanding	6,027,804	6,009,704



LETTER TO SHAREHOLDERS:

For the fifth year in succession, revenues and net income established new records for Associated. Revenues for 1972 were \$97,640,000 as compared to \$89,789,000 for 1971, and net income for the year reached \$5,253,000 as compared to \$4,728,000 for the year 1971. Net income per share for 1972 was \$.87 on 6,020,234 average shares outstanding in comparison to \$.80 for 1971, on 5,918,850 average shares outstanding. (The figures for 1971 reflect sales of \$2,740,000 and a loss of \$.02 per share for St. Louis Coca-Cola Bottling Company, a subsidiary which was sold in April, 1971.) Operating results for 1972 become even more impressive when considered in the light of certain factors and conditions under which they were achieved.

Weather conditions in our northern operating territories were the worst experienced in many years. Hurricane Agnes, which touched our western Florida market and eventually struck our Pennsylvania-New Jersey and Up-State New York markets, was the prelude to one of the coolest and wettest summer seasons on record. As a consequence, the all-important summer sales volume, which is so important to our industry if a successful year is to be recorded, failed to materialize, and our northern operations did not contribute to earnings growth as we had projected.

Another factor which affected profit growth during 1972 was the economic controls imposed under the Economic Stabilization Act. Because of the base period profit margin limitation, the Company was prohibited from increasing prices on any of its products. While operating under this severe constraint, we were forced to absorb price increases from our suppliers as well as increases in salaries and wages. Needless to say, this condition imposed heavy pressure on our profit structure for the year. While we are still subject to mandatory controls under the new Phase III regulations, being classed as a "food

industry", the broader latitude in the choice of a "base period" will allow us relief from the constantly increasing costs.

On a more positive vein, the Florida market continued to produce record sales and earnings. All of our major metropolitan areas experienced growth in tourism, as well as permanent residents and increased economic activity. The Walt Disney World Magic Kingdom theme park completed its first full year of operation in October, 1972, and exceeded all attendance estimates. This attraction, located 15 miles from our Orlando plant, has propelled Central Florida into being the fastest growing area in the State. During 1972, to keep pace with the increasing market demands, a new sales distribution center was erected to serve the fast growing Daytona Beach area, and a 16,000 sq. ft. addition was made to our Tampa plant.

During 1972, our Florida subsidiary completed its introduction of the 32-ounce returnable-resealable bottle for Coca-Cola, a marketing move begun late in 1971 in the Jacksonville market. Similar introductions of a 48-ounce non-returnable bottle for Coca-Cola were made in the Philadelphia-South Jersey and Up-State New York markets. Consumer response to these larger and more economical packages has greatly exceeded initial expectations, and now that the unusually heavy introductory expense of the packages has been absorbed, their strong acceptance will certainly contribute to increased market share and profitability in the future.

Doric Foods, a subsidiary located at Mount Dora, Florida, which produces citrus products, also set new highs in sales and earnings for the year. Doric's products, marketed under the names of "Sunny Delight", "Tip Top" and "Florida Citrus Punch", have achieved wide acceptance in the citrus drink market, and are now being sold in 20 states. Doric also manufactures

*The Company is represented by the friendly salesman
to most everyone, most everywhere.*



the plastic containers used to package its products. During 1972, production capacities for both the product and containers were increased by the installation of larger and more efficient equipment, and a new building constructed in 1970 is now being enlarged. These actions will allow Doric to continue its steady growth.

For the first time in many years, Associated did not expand through acquisitions in 1972. However, more time and effort was devoted to this pursuit than during previous years. Our acquisition program was directed toward companies in our industry and at a limited group outside the soft drink industry. Even though our acquisition criteria by its nature compelled selectivity, several interesting prospects did emerge, but for varying reasons were not consummated. This project continues to command high priority in 1973.

During July, 1971, formal complaints were issued by the Federal Trade Commission against a number of soft drink syrup firms, including The Coca-Cola Company, attacking the validity of the territorial restrictions in their bottlers contracts. Associated is not a party in these proceedings. Activity with regard to territorial exclusivity has continued throughout 1972 and into 1973 including a number of legal proceedings. It appears that such activity could continue for several years before a final resolution is forthcoming. Although we cannot predict with certainty the final outcome or its effect, if any, on the industry or our Company, it is our opinion at this time that Associated will not be adversely affected.

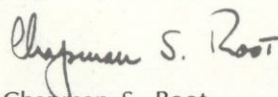
In October, 1971, following the acquisition of Coca-Cola Bottling Company of South Jersey, the Company was asked by the Federal Trade Commission to furnish information concerning the Company's acquisitions to enable the Commission to examine their competitive ef-

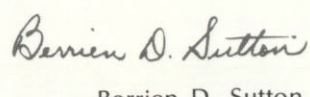
fect. During 1972, the Company supplied substantially all the information requested by the Federal Trade Commission. We believe that this inquiry was related to the Commission's proceedings with respect to territorial restrictions in soft drink syrup companies' contracts. Needless to say, we do not believe that our acquisitions have had any adverse effect on competition.

At a Special Meeting of Stockholders on June 12, 1972, the stockholders approved an increase in the authorized common stock of the Company from 4,000,000 shares to 10,000,000 shares, whereupon the Board of Directors then declared a 100% stock distribution, equivalent to a 2-for-1 stock split, distributable on July 7, 1972 to stockholders of record at the close of business June 23, 1972.

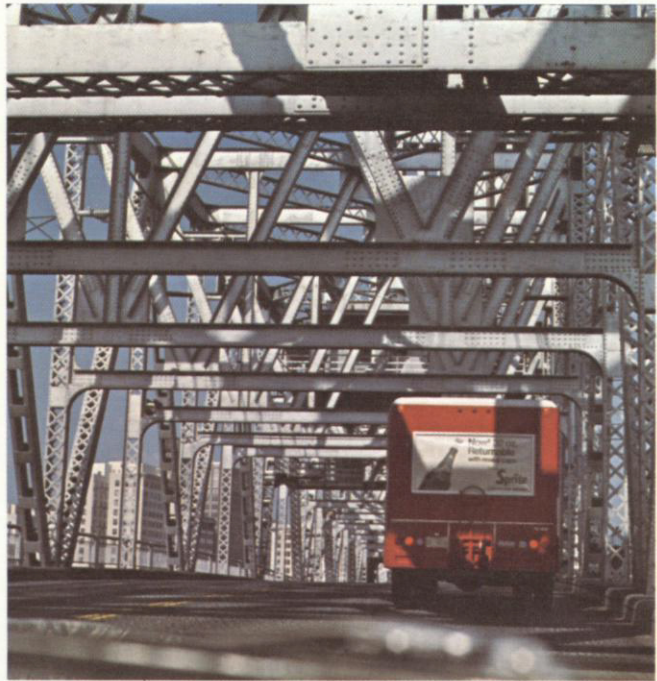
The quarterly dividend rate during 1972 was increased from 6.25 cents to 6.50 cents per share in February, then to 6.75 cents in September and increased again in December to 6.76 cents per share. These increases were the maximum permitted under the dividend guidelines of the Economic Stabilization Program.

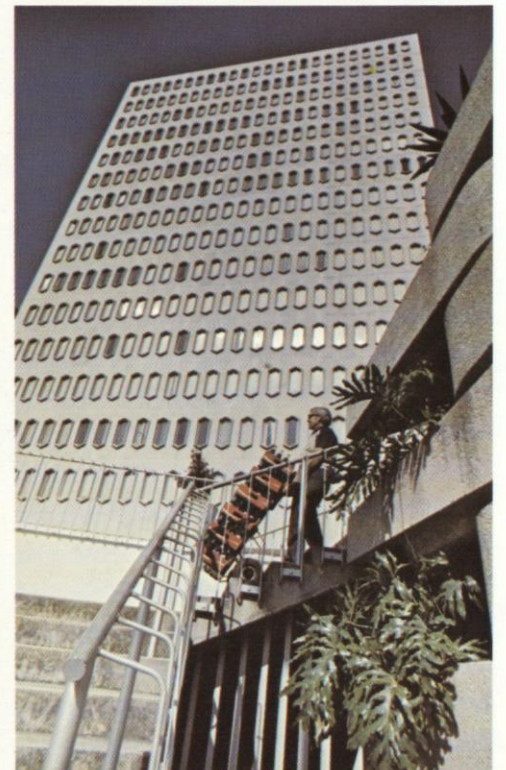
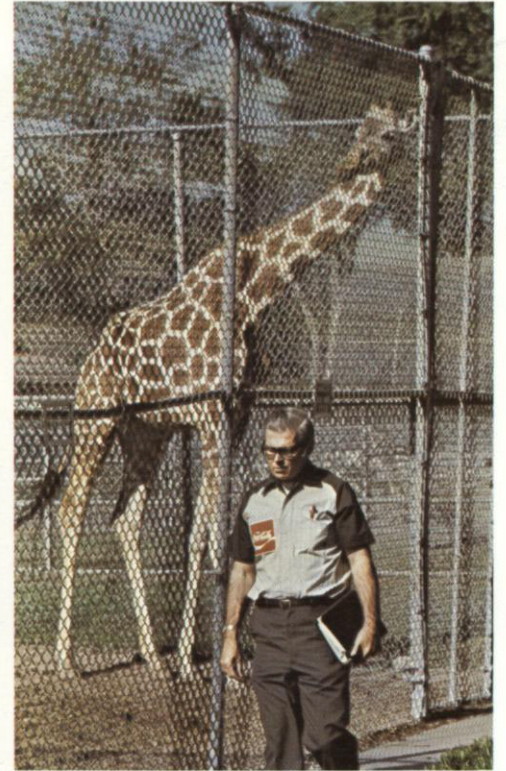
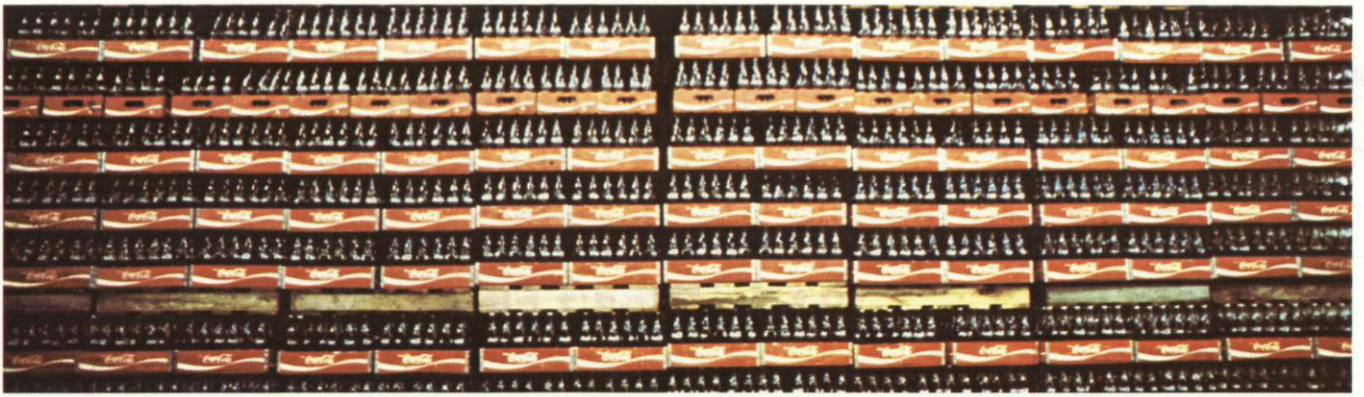
In 1973, we expect to again set new records for sales and earnings. This belief is based on the growth and economic activity of our markets, the fine products we sell, the strong financial condition of the Company, and more favorable business conditions in 1973 than those experienced this past year.


Chapman S. Root
Chairman


Berrien D. Sutton
President

Our salesman and his distinctive truck are a familiar part of community life in every town.

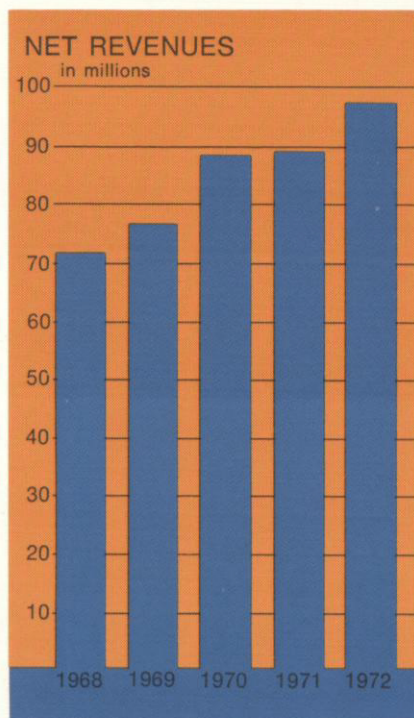




The Story of Associated and Coca-Cola

Coca-Cola has come a long way since its humble beginnings in 1886 when Dr. John S. Pemberton of Atlanta, Georgia had an idea for a soft drink. Today, soft drinks have become the number one national beverage even surpassing the per capita consumption of coffee---and Coke is the number one soft drink. In contrast to the modern manufacturing and bottling plants today, Coca-Cola was first produced in a three-legged pot in the backyard of Dr. Pemberton's home. The first year's sales totaled 25 gallons generating \$50.00 in revenue.

Two years after perfecting his formula, Dr. Pemberton died, and Asa G. Candler, another Atlanta druggist who had purchased a share in Coca-Cola, became the sole owner. The following year in 1892, Mr. Candler and a few friends organized The Coca-Cola Company

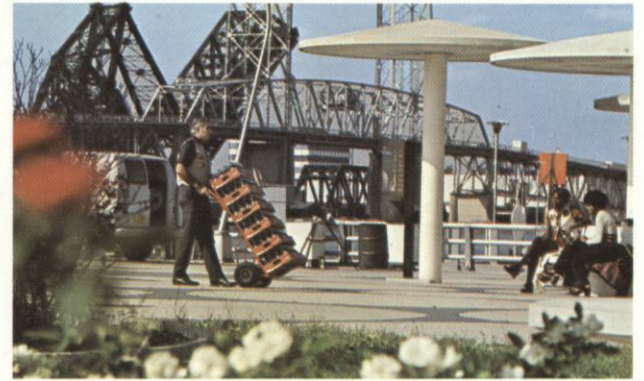
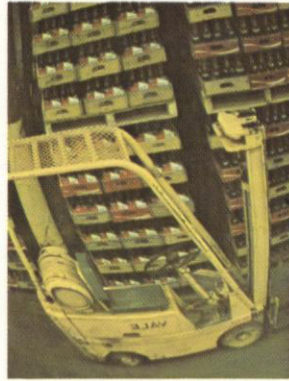


to produce Coca-Cola syrup. At this time Coke was sold only by the glass at soda fountains.

Coca-Cola in bottles first became available in 1894 when Joseph A. Biedenharn began to bottle the product in Vicksburg, Mississippi. Three years passed before the second bottling operation was started in Valdosta, Georgia by E.R. Barber and J.H. Holmes. This trend toward distribution of the product in bottles which later made Coke universally available was further advanced when in 1899, Benjamin F. Thomas and Joseph B. Whitehead, two Chattanooga, Tennessee businessmen who were avid baseball fans, decided to do something about the need for their favorite beverage at ball games, and the sale of Coke in bottles started its phenomenal growth. They secured the rights to bottle and sell Coca-Cola from

Mr. Candler. The money involved in this transaction was one dollar, and legend has it that Candler, busy with the booming sales of Coca-Cola at the soda fountains, never bothered to collect. After assessing their position, the two Chattanoogaans enlisted the financial aid of John T. Lupton in an attempt to develop national distribution. Failing to raise the needed capital and manpower to cover the country with bottling operations, they embarked on a mission to organize individuals in each community to establish plants in return for exclusive territorial distribution rights.

Next to the inherent quality of the product itself, this system of locally owned and operated Coca-Cola bottling plants turned out to be the most significant factor in the unparalleled success of the product. Through the years the distribution of Coca-Cola has been capably carried on



Many people are involved in the production and distribution of Coca-Cola and our other products.

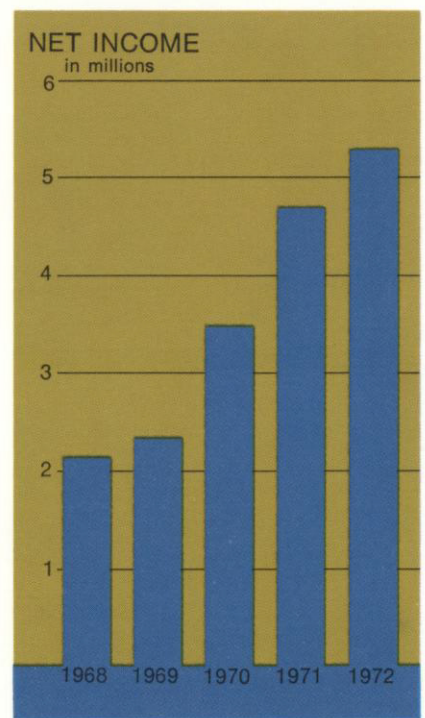
by this family of independent bottlers and The Coca-Cola Company has restricted its efforts in its soft drink enterprise mainly to the manufacturing of syrups and concentrates from which the final drinks are made by the bottlers. This system has been looked upon as one of the best examples of free enterprise in the world.

As Coke in bottles became more popular, the bottlers of Coca-Cola became valuable customers of the glass manufacturers such as Root Glass Company of Terre Haute, Indiana, which was started by C.J. Root in 1901. During these

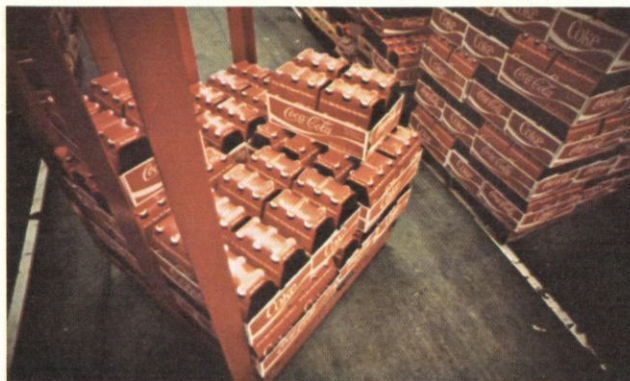
early years precise container specifications for Coke had not been established and Coke appeared in a variety of bottles. Root Glass Company supplied a straight-sided bottle closed with the familiar metal crown. A diamond-shaped paper label was affixed to the bottle to identify the product.

Delicious Coca-Cola could not be described by comparing it with any known beverage---it was unique. It was natural and fitting that The Coca-Cola Company should be interested in a container for this classical product which would also stand apart. In 1913, Harold Hirsch, General Counsel for The Coca-Cola Company, dispatched a letter to the various glass manufacturing companies, including Root Glass Company, urging the development of a uniform and distinctive package for Coca-Cola.

Mr. C.J. Root encouraged his imaginative and creative staff to accept this challenge. Alex Samuelson, the plant superintendent, worked with



T. Clyde Edwards, the company's auditor, to research a new bottle design. They started with the exotic form of the



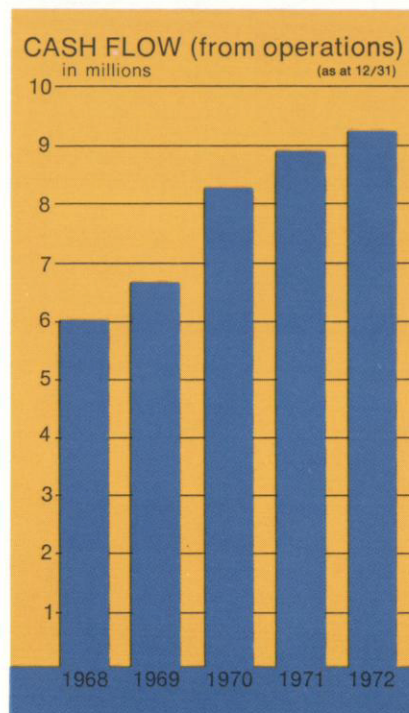
cocoa bean and fashioned a bottle later to become world famous. By the skillful hands of Earl Dean, the mold shop superintendent, a model was soon produced and in 1915 a patent was issued in Samuelson's name.

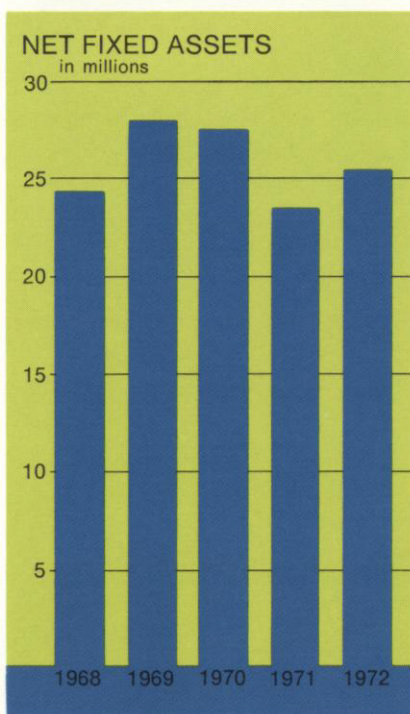
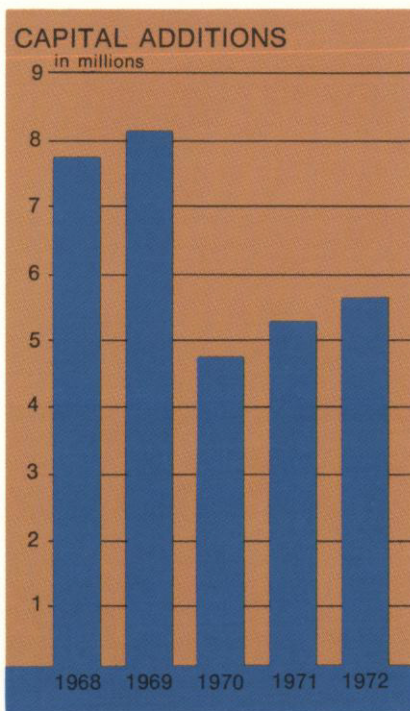
A Committee comprised of several bottlers met in Atlanta, Georgia in 1916 to select the new container. After reviewing many designs submitted by various glass manufacturers, they decided in favor of the Samuelson design. The Coca-Cola Company had hoped to find a bottle design worthy of the product and so distinctive that it could be identified in the dark or even by fragments should the bottle become broken. In addition to having this wish fulfilled, they received a bonus, a bottle with a personality. Raymond Loewy, the great designer and streamlining pioneer later called it "the most perfectly designed package in the entire world". It has been estimated that today 90% of the free world's

population can identify the bottle by its shape alone. Most people could draw a reasonable facsimile from memory. So unique is its shape and design that it has been granted registration as a trademark by the U.S. Patent Office, a rare distinction for a bottle package.

The new bottle went into production early in 1916, produced at first solely by the Root Glass Company. Subsequently, as provided by the contract between The Coca-Cola Company and Root Glass Company, other manufacturers were permitted to produce the new design. By 1918, the new bottle was being used almost exclusively as stocks of straight-sided bottles were finally becoming exhausted.

The new bottle became an integral part of the image of Coca-Cola and C.J. Root's glass company had played a significant role in creating that image. With this exposure, it was natural that he soon became absorbed with the over-all challenge of the Coca-Cola business and he soon became interested in the actual bottling and marketing of the product.





This growing interest inspired Mr. Root to acquire majority interest in the Coca-Cola bottling companies located in

Terre Haute, Indiana; Jacksonville, Florida; Danville, Illinois; and Camden, New Jersey. During this same period he also acquired minority stock interest in many other bottling plants. In 1930 Mr. Root sold his glass manufacturing facilities to Owens-Illinois Glass Company so that he might be able to devote his efforts primarily to the business of bottling Coca-Cola. During the next six years the Root interests acquired ten more bottling companies located in Up-State New York. At this time a separate corporation was formed for each separate territory. In 1939 it was decided to merge and consolidate the ten separate corporations existing in New York State and in May of that year Associated Coca-Cola Bottling Plants, Inc. was organized under Delaware law. At the same time the majority interest held by Mr. Root in other bottling companies was acquired by the newly formed corporation. Following Mr. Root's death in 1945, Associated Coca-Cola Bottling Plants, Inc. acquired from his estate minority stock interest in a number of Coca-Cola bottling companies.

On December 31, 1965, the present corporation, Associated Coca-Cola Bottling Co., Inc. was formed as a Delaware corporation. At this time all of the bottling operations were transferred to the new corporation.

Production

The present bottling facilities of Associated have a production capacity of over 3,500,000 bottles and cans during each eight hour shift. Many operations go into making up the production cycle. Bottles returned by the trade are sorted by size and type prior to being thoroughly cleaned and sanitized by modern washing equipment. Following the washing operation each bottle is individually inspected by electronic detection equipment and specially trained inspectors. The bottles which pass this rigid test then enter the automatic



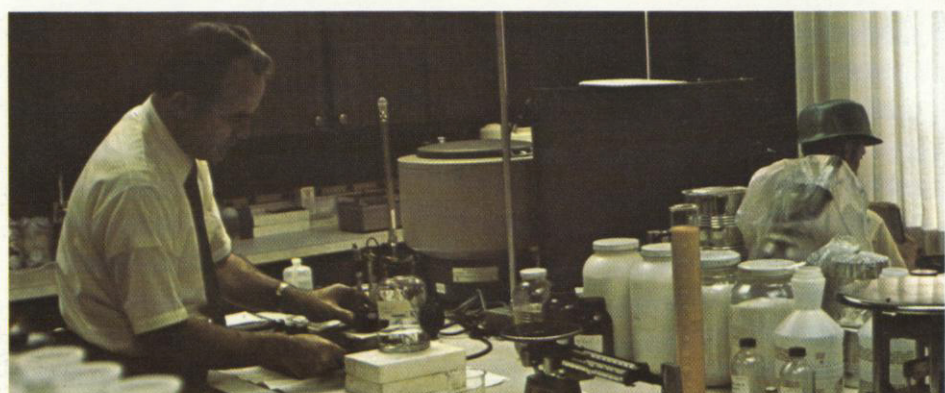
filling lines where a precisely measured amount of syrup and purified carbonated water are combined to make up the final product. The bottles of product after being capped are made ready for final packaging into either cases, six-pack or eight-pack cartons.

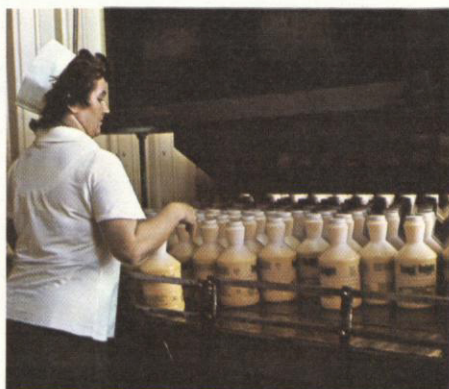
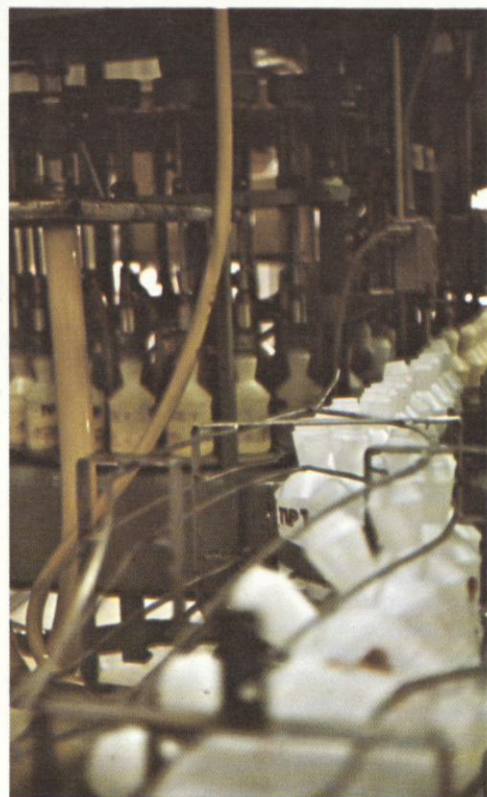
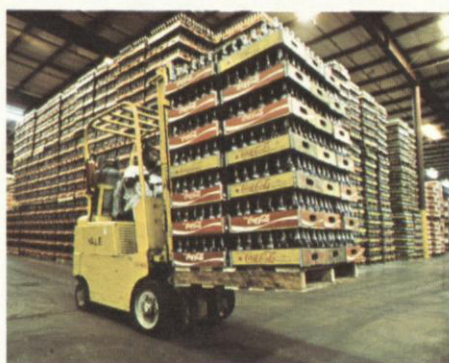
In addition to the bottling and sales operations, Associated also operates a manufacturing plant in Terre Haute, Indiana where they produce their crowns, or bottle caps as they are commonly known. This plant, called Sycamore Manufacturing Co., Inc., a wholly-owned subsidiary of Associated, is the only bottler-owned crown plant operating in the industry today.

Bottle and cans are carefully prepared and inspected to assure the routeman his products are of the highest quality.

Products and Packages

Until the mid-1950's Coca-Cola was available in only one package, the familiar 6½-ounce returnable bottle. Once this tradition was broken however, a multitude of package sizes was introduced; such as 10, 12, 16, 28, 32 and 48-ounce bottles. Along with the interest in larger sizes, a demand developed for one-way bottles (no deposit/no return) and cans. In certain of Associated's northeast marketing areas the sale of products in one-way containers constitutes a sizable portion of its business. New production and product handling techniques were developed to handle this transition. Associated opened new canning facilities and updated their bottling lines to process one-way bottles. Delivery equipment and schedules were revised to service the new one-way market. Along with new containers came the introduction of additional products and Coca-Cola was joined on the store shelves by Sprite, a lemon-lime drink. Tab and Fresca, new low-calorie drinks soon followed. Fanta, a complete flavor line including orange, grape, root beer, gingerale, club soda and quinine water also joined the Coca-Cola family of products.



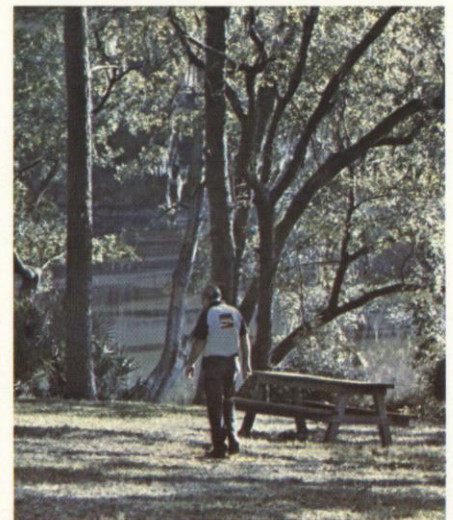
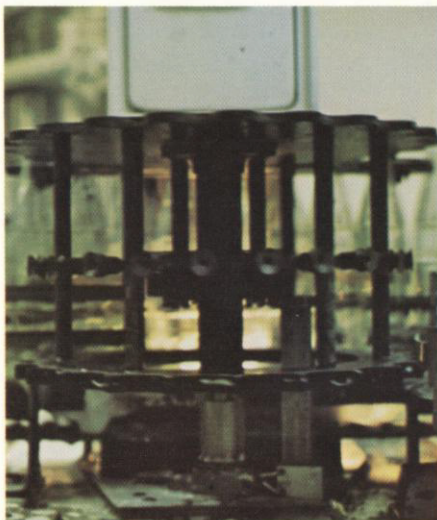
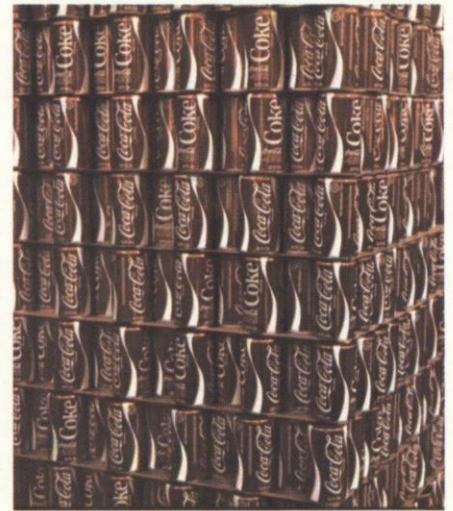
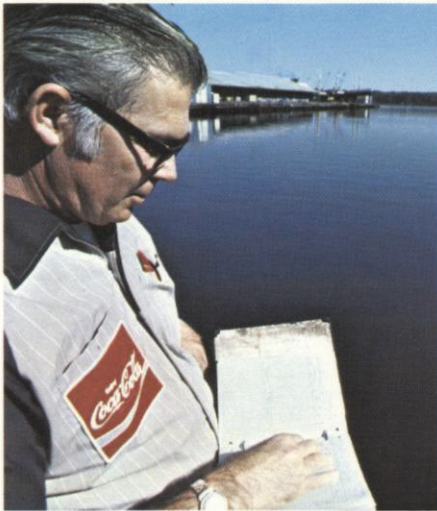
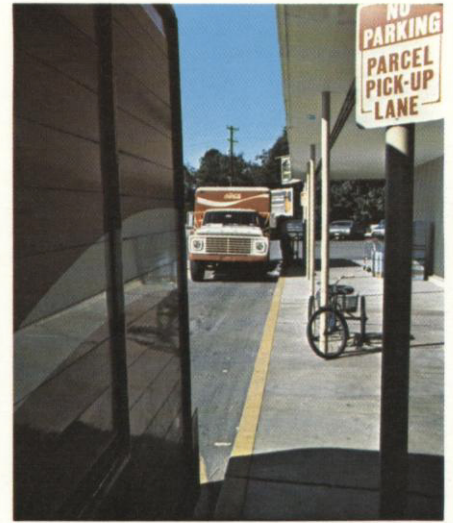


Diversification

In addition to the carbonated soft drink market, which is growing so rapidly in popularity, Associated Coca-Cola Bottling Co., Inc. has diversified its product line.

In the central Florida highlands at Mount Dora there is a subsidiary, Doric Foods Corporation, which manufactures citrus products under the brand names "Sunny Delight", "Tip Top" and "Florida Citrus Punch" in 64-ounce and 8-ounce containers. These items are refrigerated products sold from the produce and dairy sections of the grocery stores. The consumer just refrigerates, shakes and pours to enjoy a refreshing drink that is hard to beat in terms of taste and convenience. The plastic bottles for these products are blow-molded and automatically silk-screened in this highly automated plant.

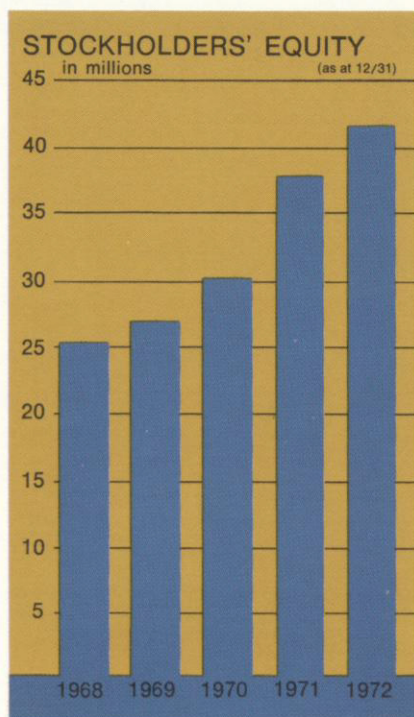
The Central Florida market includes, of course, Walt Disney World. In neighboring Mount Dora, self-blown plastic bottles are filled with citrus products sold under the brands "SUNNY DELIGHT", "TIP TOP" and "FLORIDA CITRUS PUNCH" in most major markets in the United States.



What Lies Ahead?

Associated can grow in two ways, internally through further development of their present markets and externally through expansion by acquiring new businesses---the opportunity for advancement in both directions looks excellent.

Presently, Associated is serving a large portion of Florida which is one of the fastest growing states in the country. The natural high growth rate of the state was further influenced this past year by the overwhelming success of Walt Disney World which not only greatly enhanced tourism, but significantly augmented the permanent population of Central Florida served by Associated. According to published long-range plans, Walt Disney World is still in the early stages of development so the best is yet to come. In addition, increased tourism is



expected from other attractions which are now under construction such as Circus World and Sea World.

Associated will also grow internally from the introduction of new packages and new products. This past year customers of Associated were introduced to the new 16, 32 and 48-ounce bottles of

Coca-Cola with the twist-type resealable closure. Because of the excellent acceptance of the new packages, the marketing of them will be expanded during the coming year.

The strong financial position of Associated places it in an excellent position to expand by acquiring additional outside interests. While a constant effort is being made in this direction, the Company is conducting a very selective program to insure that future growth is on a sound basis which will enhance the future of the Company in the years to come.



consolidated statement of
**INCOME AND
 RETAINED EARNINGS**

Years ended December 31, 1972 and 1971

	1972	1971
NET REVENUES	\$97,640,000	\$89,789,000
 COSTS AND EXPENSES:		
Cost of sales	57,096,000	51,256,000
Selling and distribution	21,961,000	21,140,000
General and administrative	7,988,000	7,604,000
Interest	420,000	513,000
Provision for income taxes	4,922,000	4,548,000
	<u>92,387,000</u>	<u>85,061,000</u>
 NET INCOME — \$.87 per share in 1972; \$.80 in 1971	5,253,000	4,728,000
 RETAINED EARNINGS AT BEGINNING OF YEAR	22,465,000	18,804,000
	<u>27,718,000</u>	<u>23,532,000</u>
 DIVIDENDS DECLARED — \$.2651 per share in 1972; \$.25 in 1971	1,300,000	1,067,000
 RETAINED EARNINGS AT END OF YEAR	<u>\$26,418,000</u>	<u>\$22,465,000</u>
 <i>See accompanying notes.</i>		

LIABILITIES AND STOCKHOLDERS' EQUITY

	1972	1971
CURRENT LIABILITIES:		
Accounts payable	\$ 4,667,000	\$ 4,488,000
Income taxes payable	425,000	1,439,000
Accrued liabilities -		
Compensation and related items	785,000	715,000
Pension contributions	652,000	649,000
Other	482,000	407,000
Dividends payable	332,000	271,000
Current maturities of long-term debt	1,048,000	1,177,000
TOTAL CURRENT LIABILITIES	8,391,000	9,146,000
 LONG-TERM DEBT	 4,115,000	 5,541,000
 DEFERRED COMPENSATION	 434,000	 437,000
 DEFERRED FEDERAL INCOME TAXES	 1,486,000	 1,395,000
 STOCKHOLDERS' EQUITY:		
Capital stock, \$.50 par value		
Authorized - 10,000,000 shares		
Issued and outstanding - 6,027,804 shares		
in 1972; 6,009,704 shares in 1971	3,014,000	3,005,000
Capital in excess of par value	12,405,000	12,317,000
Retained earnings	26,418,000	22,465,000
	<u>41,837,000</u>	<u>37,787,000</u>
	<u>\$56,263,000</u>	<u>\$54,306,000</u>



consolidated statement of
**CHANGES IN
 FINANCIAL POSITION**

Years ended December 31, 1972 and 1971

	1972	1971
SOURCE OF WORKING CAPITAL:		
Operations —		
Net income	\$ 5,253,000	\$ 4,728,000
Items affecting net income but not requiring working capital:		
Depreciation	3,885,000	4,042,000
Deferred federal income taxes	91,000	97,000
Other	3,000	67,000
Total from operations	9,232,000	8,934,000
Proceeds from public issue of Common Stock		3,072,000
Proceeds from exercise of stock options	97,000	477,000
Financing for acquisitions and buildings		896,000
Net proceeds from sale of subsidiary		3,886,000
	9,329,000	17,265,000
DISPOSITION OF WORKING CAPITAL:		
Additions to property, plant and equipment (after deducting net book value of property disposed of - \$482,000 in 1972; \$449,000 in 1971)	5,175,000	3,635,000
Businesses acquired, excluding net working capital —		
Property, plant and equipment		1,116,000
Territorial bottling rights		1,579,000
Long-term debt assumed		(640,000)
Other		32,000
		2,087,000
Current maturities and prepayments of long-term debt	1,426,000	3,952,000
Cash dividends declared	1,300,000	1,067,000
Other	108,000	18,000
	8,009,000	10,759,000
INCREASE IN WORKING CAPITAL	1,320,000	6,506,000
Changes in elements of working capital affecting cash and short-term investments:		
Accounts and notes receivable	(715,000)	(103,000)
Inventories	(614,000)	31,000
Prepaid expenses	50,000	50,000
Accounts payable and accrued liabilities	388,000	(342,000)
Income taxes payable	(1,014,000)	(540,000)
Current maturities of long-term debt	(129,000)	(598,000)
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	\$ (714,000)	\$ 5,004,000
<i>See accompanying notes.</i>		



consolidated statement of
**FINANCIAL
 POSITION**
 December 31, 1972 and 1971

ASSETS	1972	1971
CURRENT ASSETS:		
Cash	\$ 637,000	\$ 1,551,000
Short-term investments, at cost which approximates market	7,700,000	7,500,000
Accounts and notes receivable, principally trade	5,773,000	5,058,000
Inventories	5,651,000	5,037,000
Prepaid expenses	138,000	188,000
TOTAL CURRENT ASSETS	19,899,000	19,334,000
OTHER ASSETS:		
Noncurrent accounts and notes receivable	244,000	194,000
Cash value of life insurance	852,000	788,000
Other	131,000	136,000
	1,227,000	1,118,000
PROPERTY, PLANT AND EQUIPMENT:		
Land	2,210,000	2,254,000
Buildings	14,530,000	13,849,000
Plant equipment	11,051,000	10,034,000
Delivery equipment	9,542,000	8,590,000
Vending equipment	12,577,000	12,323,000
	49,910,000	47,050,000
Less accumulated depreciation and amortization	24,430,000	22,860,000
	25,480,000	24,190,000
TERRITORIAL BOTTLING RIGHTS	9,657,000	9,664,000
	\$56,263,000	\$54,306,000

See accompanying notes.



NOTES to consolidated FINANCIAL STATEMENTS

PRINCIPAL ACCOUNTING POLICIES

Principles of consolidation – The accompanying consolidated financial statements include the accounts of Associated Coca-Cola Bottling Co., Inc. ("Associated") and its subsidiaries, all of which are wholly-owned (collectively referred to as "Company"). All significant intercompany transactions have been eliminated.

Inventories – Inventories are valued at the lower of cost or replacement market. Cost is defined as: average actual for finished product; first in, first out for raw materials, supplies and new containers; specific unit for vending machines and deposit value for used returnable containers. The difference between cost of new returnable containers and deposit value is charged to cost of sales in the period such containers are put into use.

Territorial bottling rights – The Company has contracts with The Coca-Cola Company giving it rights to bottle and sell Coca-Cola and related products in specified territories. The carrying value of the rights represents principally the costs allocated to them on acquisition of certain subsidiaries, including those acquired in 1971. These costs are not being amortized as management believes there is no diminution of the aggregate value of the rights.

Property, plant and equipment – Property, plant and equipment, including betterments to existing facilities, are stated at cost. Depreciation is provided on the straight line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred. Retirements and other disposals of property are removed from the accounts at their carrying values; any gains or losses resulting from dispositions are reflected in income.

Income taxes – Deferred federal income taxes are provided for differences between financial and tax accounting treatments relating principally to accelerated depreciation and deferred compensation. Investment tax credits are reflected as reductions of the provision for income taxes in the years the credits arise.

Retirement plans and deferred compensation – The Company has qualified trustee retirement plans covering substantially all employees and pension costs incurred thereunder are funded currently. Pension expense includes normal cost and amortization of past service costs over 25 - 35 years. Deferred compensation benefits are provided on a current actuarially discounted basis.

COMMON STOCK DISTRIBUTIONS AND PUBLIC OFFERING

In June 1972, Associated amended its certificate of incorporation to increase the authorized common stock from 4,000,000 shares to 10,000,000 shares and, in the month following, distributed 3,010,602 common shares to its shareholders of record June 23, 1972 on the basis of one share for each share held. In April 1971, Associated effected a 2-for-1 split of the outstanding common stock and sold 200,000 shares of common stock in a public offering for \$3,090,000 (less expenses) of which \$100,000 was credited to capital stock and the balance (\$2,972,000) was credited to capital in excess of par value. Stockholders' equity and all references to common shares and per share data in the 1972 and 1971 consolidated financial statements and related notes give effect to the above distributions.

INVENTORIES

Inventories included in the accompanying consolidated balance sheet are comprised as follows:

	1972	1971
Finished product	\$2,210,000	\$1,973,000
Raw materials and supplies	969,000	1,055,000
Vending machines	643,000	517,000
Containers	1,829,000	1,492,000
	<u>\$5,651,000</u>	<u>\$5,037,000</u>

LONG-TERM DEBT

Long-term debt, excluding current maturities, consists of the following:

	1972	1971
Bank term loan, interest at 1/2 of 1% above prime rate, payable in instalments to 1974	\$ 250,000	\$ 750,000
5-1/2% to 7-1/2% instalment notes payable in varying amounts to 1985, including \$1,565,000 (\$1,680,000 in 1971) which may become due as demanded on one-year notice at the option of the noteholders	2,445,000	2,898,000
6% to 8-1/2% mortgage notes due in instalments to 1991	1,155,000	1,232,000
Notes payable in varying annual amounts to 1985	265,000	661,000
	<u>\$4,115,000</u>	<u>\$5,541,000</u>

The aggregate annual maturities of long-term debt for the five years after December 31, 1972 are \$1,048,000 in 1973, \$833,000 in 1974, \$343,000 in 1975, \$328,000 in 1976, and \$254,000 in 1977, assuming that none of the noteholders having a right to

demand payment on one-year notice elects to enforce such right.

STOCK OPTIONS

At December 31, 1972, options to purchase 29,200 shares of common stock at \$5.1875 to \$32.875 per share were outstanding and options as to 91,500 shares were available for grant under the Company's qualified stock option plan. All of the outstanding options were exercisable except as to 17,500 shares granted in 1972 at \$32.875 per share under the plan.

During 1972 and 1971, options were exercised for 18,100 and 91,600 shares and capital in excess of par value was increased \$88,000 and \$431,000, respectively, representing the excess of the proceeds over the par value of the shares issued upon exercise of the stock options. During 1971, options as to 48,000 shares became exercisable and options as to 4,000 shares were cancelled.

INCOME TAXES

The provision for income taxes includes the following:

	1972	1971
Payable currently:		
Federal	\$4,488,000	\$4,191,000
State	556,000	310,000
Investment tax credits	(213,000)	(50,000)
Deferred	91,000	97,000
	<u>\$4,922,000</u>	<u>\$4,548,000</u>

The Company files a consolidated federal income tax return. The consolidated tax return for 1969 has been examined by the Internal Revenue Service and a proposed deficiency of \$1,230,000 has been asserted relative to a subsidiary's redemption of the minority stock interest therein. In the opinion of the Company and its legal counsel, the basis for the Internal Revenue Service's assertion (which, if sustained, would result in additional costs of territorial bottling rights) is erroneous. The Company has protested the proposed deficiency and has requested an Appellate review and hearing.

RETIREMENT PLANS

Pension costs under defined benefit and union plans charged to operations amounted to \$867,000 in 1972 (\$897,000 in 1971). Unfunded past service costs under the defined benefit plans amounted to \$4,647,000 at December 31, 1972.

DIVIDEND WAIVER

At December 31, 1971, the issued and outstanding common stock included 1,680,000 shares held by the majority stockholder, on which cash dividends were

waived. Such waivers terminated as to 560,000 shares on January 1, 1972 and terminate as to an additional 560,000 shares on each January 1 of 1973 and 1974 with respect to cash dividends declared after each of said dates.

1971 EVENTS

Sale of subsidiary – In April 1971, Associated sold a wholly-owned subsidiary, St. Louis Coca-Cola Bottling Company, for \$4,020,000 cash, resulting in an insignificant net loss. Net sales and net loss of St. Louis included in the accompanying consolidated financial statements in 1971 were \$2,740,000 and \$107,000 (\$.02 per share), respectively.

Acquisitions – The Company acquired, in transactions accounted for as purchases, the businesses of three bottling companies in 1971. The 1971 operations of these businesses (which are not material in relation to the accompanying consolidated financial statements) have been included since dates of acquisition.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Associated Coca-Cola Bottling Co., Inc.

We have examined the accompanying consolidated statement of financial position of Associated Coca-Cola Bottling Co., Inc. at December 31, 1972 and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the consolidated financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Associated Coca-Cola Bottling Co., Inc. at December 31, 1972 and 1971 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY

Chicago, Illinois
February 14, 1973



MANUFACTURING AND DISTRIBUTION CENTERS

UP-STATE NEW YORK MARKET

Albany — Bottling and Sales
Binghamton — Distribution Center
Cortland — Distribution Center
Elmira — Distribution Center
Glens Falls — Distribution Center
Gloversville — Distribution Center
Hudson — Distribution Center
Oneonta — Distribution Center
Seneca Falls — Distribution Center
*Syracuse — Bottling and Sales
Utica — Distribution Center
Watertown — Distribution Center

PHILADELPHIA — CAMDEN — SOUTH JERSEY MARKET

Philadelphia, Pennsylvania — Bottling and Sales
Folcroft, Pennsylvania — Distribution Center
Lansdale, Pennsylvania — Distribution Center
Atlantic City, New Jersey — Distribution Center
Bridgeton, New Jersey — Distribution Center
*Camden, New Jersey — Bottling and Sales
Wildwood, New Jersey — Distribution Center

TERRE HAUTE MARKET

Terre Haute, Indiana — Bottling and Sales
Paris, Illinois — Distribution Center
Rockville, Indiana — Distribution Center
Sullivan, Indiana — Distribution Center

FLORIDA MARKET

Avon Park — Distribution Center
Cocoa — Bottling and Sales
Daytona Beach — Distribution Center
Ft. Pierce — Distribution Center
Gainesville — Bottling and Sales
Green Cove Springs — Distribution Center
Jacksonville — Bottling and Sales
South Jacksonville — Distribution Center
Lake City — Distribution Center
Lakeland — Distribution Center
Leesburg — Distribution Center
Live Oak — Distribution Center
Ocala — Distribution Center
*Orlando — Bottling and Sales
Palatka — Distribution Center
Punta Gorda — Distribution Center
St. Augustine — Distribution Center
St. Petersburg — Distribution Center
Sarasota — Bottling and Sales
Tampa — Bottling and Sales
Trenton — Distribution Center

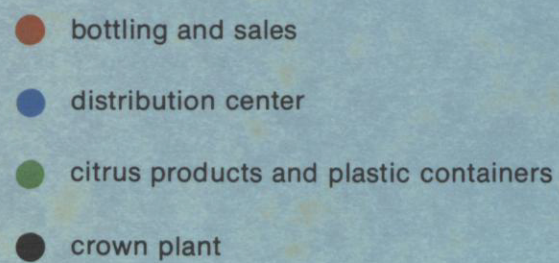
WEST INDIES MARKET

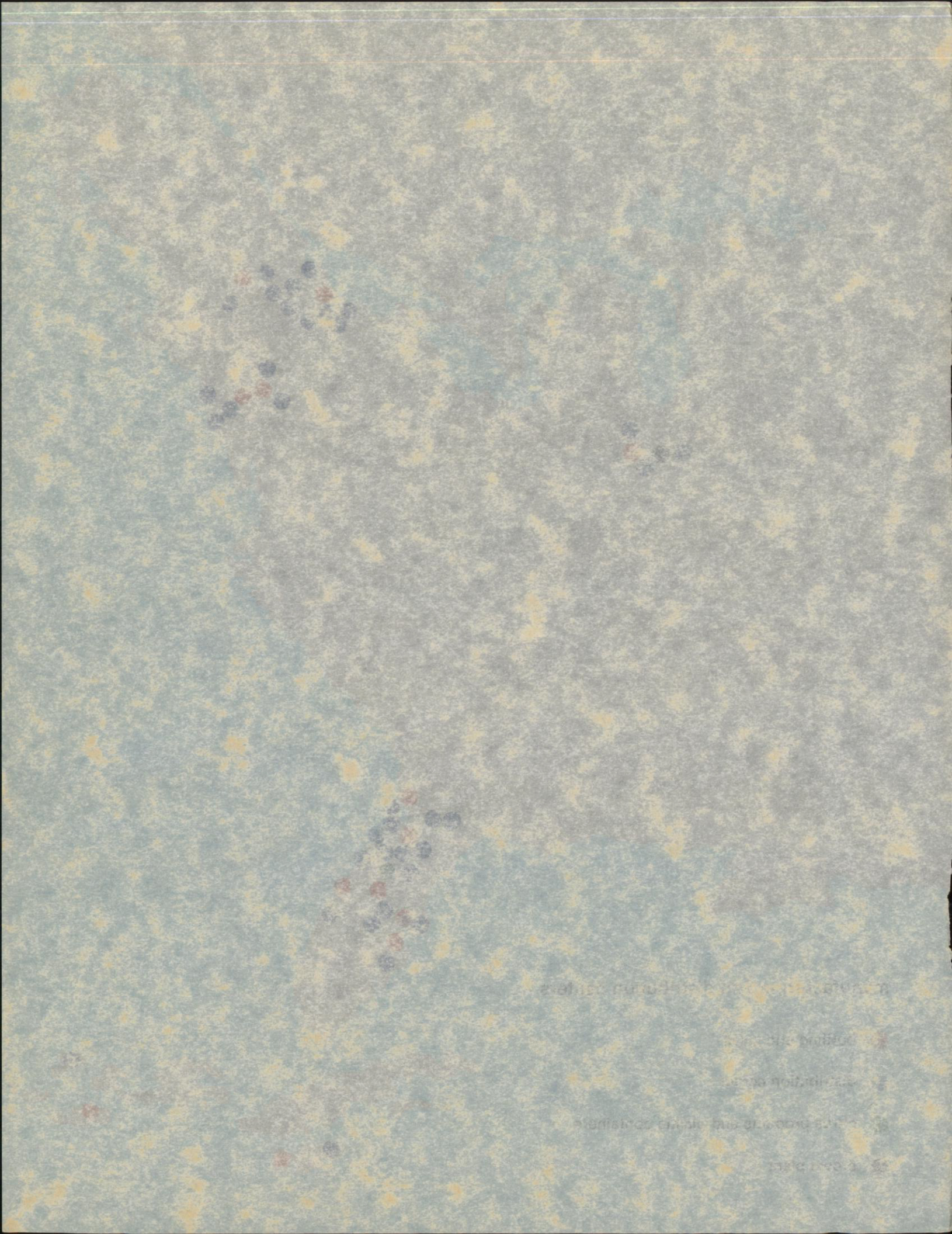
Kingston, Jamaica — Bottling and Sales
Montego Bay, Jamaica — Distribution Center
Christiansted, St. Croix, Virgin Islands
Bottling and Sales
Charlotte Amalie, St. Thomas, Virgin Islands
Distribution Center

OTHER ACTIVITIES

Terre Haute, Indiana — Crown Plant
Mount Dora, Florida — Citrus Products

*Plants producing canned products







DIRECTORS

Charles I. Moore, Jr.
Arthur O. Reinking
Chapman S. Root
Berrien D. Sutton
Byron V. Underwood
Robert L. Voges
Richard W. Waller

OFFICERS

Chapman S. Root
Chairman of the Board
Berrien D. Sutton
President
Charles I. Moore, Jr.
Executive Vice President
Robert L. Voges
Vice President
John E. Nuckolls
Vice President
Fredric F. Gruber
Treasurer
Robert R. Clauss
Secretary
C. Warren Grainge
Controller

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TRANSFER AGENT AND REGISTRAR

Trust Company of Georgia
Atlanta, Georgia 30302

